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Oilseeds and Products

Annual

2006

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Report Highlights:

In the first quarter of MY 2005 (October 2005 through December 2005), Israel saw an 11 percent decrease in soybean imports compared to the same period one-year ago (from 136 TMT to 121 TMT). The U.S. market share for soybeans increased by 20 percent for the same time period. The forecast for MY 2005 is for a U.S. market share for soybeans of 23-28 percent. Imports of oil meals in the first quarter of MY 2005, (October 2005 through December 2005) increased by 131 percent compared to the same period in the previous year. The increase was due to increased imports of soy meals from Argentina and Brazil.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
Annual Report
Tel Aviv [IS1]
[IS]

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Executive Summary

Israel is totally dependant on imports for its soybeans use. Data for the first quarter of MY 2005 shows that soybean imports have decreased by 11 percent, and oil meal imports have increased by 131 percent, compared to the same period one year ago. In MY 2004 (October through September), the U.S. market share for soybeans have decreased by 16 percent (163 tmt in MY 2003 and 2004), and the U.S. market share for oil meals dropped by 83 percent (from 35 tmt to 5 tmt). In recent years, the American market share has been effected significantly by increased imports of soybeans and soy meals from Argentina and Brazil.

Local soy meal prices increased from \$253/ton in January 2005 to \$282/ton in January 2006 (a 11 percent increase). Starting January 2005 through July 2005, prices for soy meals in Israel increased, but since than prices for soy meals are in decline. Recently, local grain millers and processing plants have shown a preference for imports of Hi-Pro oil meals (48 percent).

Oilseeds

Israel Oilseed, Soybean							
	2004	Revised	2005	Estimate	2006	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		10/2004		10/2005		10/2006	MM/YYYY
Area Planted	0	0	0	0	0	0	(1000 HA)
Area Harvested	0	0	0	0	0	0	(1000 HA)
Beginning Stocks	77	40	77	40	27	35	(1000 MT)
Production	0	0	0	0	0	0	(1000 MT)
MY Imports	520	681	600	635	0	650	(1000 MT)
MY Imp. from U.S.	250	163	250	160	0	162	(1000 MT)
MY Imp. from the EC	0	0	0	0	0	0	(1000 MT)
TOTAL SUPPLY	597	721	677	675	27	685	(1000 MT)
MY Exports	0	0	0	0	0	0	(1000 MT)
MY Exp. to the EC	0	0	0	0	0	0	(1000 MT)
Crush Dom. Consumption	498	651	620	620	0	630	(1000 MT)
Food Use Dom. Consump.	15	20	20	15	0	15	(1000 MT)
Feed,Seed,Waste Dm.Cn.	7	10	10	5	0	5	(1000 MT)
TOTAL Dom. Consumption	520	681	650	640	0	650	(1000 MT)
Ending Stocks	77	40	27	35	0	35	(1000 MT)
TOTAL DISTRIBUTION	597	721	677	675	0	685	(1000 MT)
Calendar Year Imports	0	666	0	620	0	635	(1000 MT)
Calendar Yr Imp. U.S.	0	164	0	153	0	152	(1000 MT)
Calendar Year Exports	0	0	0	0	0	0	(1000 MT)
Calndr Yr Exp. to U.S.	0	0	0	0	0	0	(1000 MT)

Production

In Israel, there is essentially no production of oilseeds for crushing. In CY 2005, Israeli production of sunflower seed for confectionery totaled 14,000 MT, of which 10,500 MT (75 percent) were exported, mainly to Spain. In CY 2005, 16,000 MT of peanuts were produced for confectionery, of which 7,104 MT (44 percent) were exported. A small quantity of safflower seeds is grown as well. In CY 2005, the planted area for peanuts and sunflower totaled 3,000 and 8,000 ha, respectively. In CY 2006, it is estimated that planted area will remain the same. All oilseeds for crushing are imported. This condition is not expected to change, as production for crushing is not economical due to Israel's serious water shortage. Neither the partial replenishment of water reserves during the recent years, nor the development of increased recycled water resources, will fundamentally change the situation for oilseeds production.

In CY 2004, total peanut and sunflower production value increased by 3 and 12 percent respectively, compared to the previous year (see tables 1-2). In CY 2005 peanut export value totaled \$16.8 million, a 17 percent increase compared to the previous year.

Table 1: Peanuts Disposition, by Destination, \$ Millions¹, Percent, Nominal Terms

CY	2003		2004	
	Value	Percent	Value	Percent
Local Markets	14.13	45.2	14.83	45.8
Delivery to Processors	2.26	7.2	2.20	6.8
Inter-Mediate Produce	0.69	2.2	1.04	3.2
Export	14.20	45.4	14.30	44.2
Grand Total	31.30	100.0	32.37	100.0

Source: Ministry of Agriculture and Rural Development, 2004 Annual Report.

Table 2: Sunflower Disposition, by Destination, \$ Millions, Percent, Nominal Terms

CY	2003		2004	
	Value	Percent	Value	Percent
Local Markets	2.97	20.6	3.39	21.0
Delivery to Processors	0.00	0.00	0.00	0.00
Inter-Mediate Produce	0.21	1.5	0.30	1.8
Export	11.21	77.9	12.49	77.2
Grand Total	14.39	100.0	16.18	100.0

Source: Ministry of Agriculture and Rural Development, 2004 Annual Report.

Prices

In CY 2005, local price for sunflower seed was \$1,350 per ton for premium quality, and \$350/ton for second-class. As a result of a shortage in sunflower seeds, it is estimated that prices in 2006 will be higher than prices in CY 2005.

¹ Exchange Rate, 1 USA Dollar=4.6 New Israeli Shekel.

Table 3: Producer Prices for Israeli Peanuts and Sunflower, CY, \$ Per Ton, Real Terms (2004=100.0)

CY	Peanuts		Sunflower	
	Price Per Ton	Percent Change Compared to the Previous Year	Price Per Ton	Percent Change Compared to the Previous Year
2002	1,112.5		1,206.3	
2003	1,255.8	12.9%	1,212.9	0.5%
2004	1,260.8	0.4%	1,952.2	60.9%
Average Price	1,209.7		1,457.1	

Source: Ministry of Agriculture and Rural Development, 2004 Annual Report.

Consumption

The consumption of oilseeds, mainly soybeans, is derived from the demand for oil meals for livestock. Annual consumption of oilseeds by crushers is very close to total crushing capacity. According to data for 2005, feed mix sales have decreased by 4.5 percent compared to the previous year (from 2,402 tmt to 2,294 tmt). The decreased quantity is mainly a result of decreased demand from the local livestock sector, which remained stable in production volume but improved its feed conversion.

There is an increasing demand for soy based meat substitute foods for human consumption. In 2005, the local market value of such foods is estimated at \$65.2 million. The market value has grown by 5 percent compared to the previous year and is expected to continue to grow in the next few years. It is estimated that fifty percent of the population in Israel consumes sometimes meat substitute made of soy, although only 10 percent is vegetarian. The local market value for soymilk is estimated at \$27.3 million. Approximately 7 percent of the population consumes soymilk. The market for soy milk and soy milk products is growing much slower than predicted.

Table 4: Weekly Average Soy Products Consumption (of all kinds) Per Capita

Household kind	Percent
1 or less	24
2	10
3 or more	10
Don't Consume soy products	56
Total	100

Source: Rotem Market Research Institute, 2005.

Processing Plants

Three soybean processing plants are active: Solbar, Shemen and Teth-Beth. "Solbar" produces soy protein concentrate, textured soy products for industrial meat applications, vegetarian meat analogs, oils and animal feed. The oils and the animal feed products are delivered only to the local market. Until CY 2002, ninety percent of the total soybean imports were imported from the U.S. However, since CY 2003 U.S. market share is decreasing and has reached as low as 20 percent of the total. At present, most soybean imports are from Brazil, and are considered to be GMO free. However, during CY 2005, solbar has suffered from significant money lost as a result of low quality soybean shipments from Brazil. Solbar produces approximately 35 and 30 percent of local oil and oil meal, respectively. Almost 95 percent of the total soy proteins and soy isoflavones produced by

Solbar are exported to Europe, China and other far-east countries, and their worldwide market share stands at 5 percent. Solbar announced new market cooperation with Ingredients Inc. (Chicago). In addition to Solbar's longstanding distribution channels in the United States, the company expects Ingredients Inc. to focus on a number of important market segments where Solbar has been previously inactive and jointly enhance its current supply chain in North America.

Table 5: Solbar's Main Markets, \$ Thousand, in Nominal Terms, CY

Markets	1-9/2005	1-9/2004	1-9/2005 Percent Change Compared to 1-9/2004	1-9/2005 Market Share	1-9/2004 Market Share
Local Market	52,958	60,201	-12%	65%	63%
Exports	28,552	34,581	-17%	35%	37%
Total	81,510	94,782	-14%	100%	100%
Oils and Oil Meals Sector	51,916	59,429	-13%	64%	63%
Proteins and Isoflavones Sector	29,594	35,353	-16%	36%	37%
Total	81,510	94,782	-14%	100%	100%

Source: Solbar Industries LTD.

Shemen Industries manufactures several types of edible oils, soybean meal, proteins and other high-value extracts. Shemen also imports soybean meals, corn oil, palm oil, cotton oil and olive oil in order to complete its line of products. The soybean is imported from Brazil, Argentina and the U.S. In CY 2005, Shemen imported nearly 253 tmt of soybeans. The company is the only manufacturer of sunflower and canola oils in Israel. Shemen produces approximately 40 percent of local oil and oil meal. In 2004, Shemen's soy products plant, SOYPROTEC, began to produce top-quality soy products from GMO-free beans. The plant produces soy isoflavones, soy protein concentrates, and textured soy protein. Recently Shemen announced they will begin to purchase American Non-Gmo soybeans for their soy product plant.

Table 6: Shemen's Main Markets, \$ Thousand, in Nominal Terms, CY

Markets	2004	2003	2004 Market Share	2003 Market Share
Oils Sector	18,658.2	17,059.8	20	23
Oil Meals Sector	68,859.1	55,550.2	76	76
Other (including Protein sector)	3,629.1	708.0	4	1
Total	91,146.4	73,318.0	100	100

Source: Shemen Industries LTD.

Table 7: Annual Local Soy Crushing Capacity, by Plants, CY 2005

Plant	Tons	Percent
1. Shemen	253,000	38
2. Solbar	252,000	38
3. Teth-Beth	161,000	24
Total	666,000	100

Trade

Exports

Only peanuts and sunflower seeds for confectionery are exported. Total value of confectionery peanut exports has increased by 1 percent, from \$14.2 million in CY 2003 to \$14.3 million in CY 2004. Sixty one percent of Israeli confectionery peanuts are exported to Italy, and 33 percent are exported to Belgium and Germany. Total value of sunflower exports for confectionery increased by 12 percent, from \$11.2 million in CY 2003 to \$12.5 million in CY 2004 (see tables 1,2). The Spanish share of Israeli sunflower seeds in CY 2004 decreased by 3 percent compared to the previous year (from \$10.9 million to \$11.8 million).

Imports

As a result of a decrease in soybean prices in CY 2005 compared to CY 2004 prices, combined with steady soybean prices during CY 2005, total imports of soybean increased by 19.5 percent in MY 2004, (Oct 2004 – Sept 2005) from 570 tmt in MY 2003 to 681 tmt in MY 2004. However, there was a 17 percent decrease in the U.S. market share for soybeans. The drop in U.S. market share was a result of increased imports from Brazil, and Argentina.

In CY 2005, data show a 20.4 percent increase in soybean imports, compared to the previous year (from 553 tmt to 666 tmt). In CY 2005, there was a 39 percent increase in the U.S. market share for soybeans (from 99 tmt to 166 tmt). On the other hand, according to data from MY 2004 the U.S. market share for soybeans have decreased by 17 percent, the difference between the two figures can be explained by the fact that during the period of November and December most of the soybean imports were from the U.S. The forecast for MY 2005 is for total soybean imports of 620-640 tmt, of which the U.S. market share will stand at 25-30 percent. This is a significant decrease from the multi annual average for the U.S.

Table 8: Oilseeds and Meals Imports to Israel, MY², Thousand Metric Tons

MY	Soybeans	Meals	Rapeseeds	Other Substitutes	Total Import
2000	617	124	67	51	859
2001	679	113	45	48	885
2002	580	111	37	26	754
2003	570	255	41	39	905
2004	681	222	37	31	971
2004 (till December)	136	35	6	3	180
2005 (till December)	121	81	4	0	206

Source: Ministry of Agriculture, Office of Prices and Supply

Table 9: U.S. Oilseeds and Meals Imports to Israel, MY, Thousand Metric Tons

MY	Soybeans	Meals	Rapeseeds	Other Substitutes	Total Import From the U.S.
2000	497	40	0	33	570
2001	530	23	0	32	403
2002	259	36	0	10	305
2003	163	35	8	17	223
2004	163	5	0	17	188
2004 (till December)	21	0	0	0	21
2005 (till December)	22	0	0	0	22

Source: Ministry of Agriculture, Office of Prices and Supply

Table 10: U.S. Share out of Total Oilseeds and Meals Imports (Percent)

MY	Soybeans	Meals	Rapeseeds	Other Substitutes	Total Import From the U.S.
2000	80.6	32.3	0.0	64.7	66.3
2001	78.1	20.4	0.0	66.7	45.5
2002	44.7	32.4	0.0	38.5	40.4
2003	28.6	13.7	19.5	43.6	24.6
2004	23.9	2.3	0.0	54.8	19.3
2004 (till December)	15.4	0.0	0.0	0.0	11.2
2005(till December)	18.1	0.0	0.0	---	10.6

Source: Ministry of Agriculture, Office of Prices and Supply

Import Trade Matrix, Soybean

The following table summarizes Israeli soybean imports.

Import Trade Matrix Israel Oilseed, Soybean (TMT) Time Period: CY			
Imports for:	2004		2005
U.S.	98	U.S.	164
Others	0	Others	0
Total for Others	0	Total for Others	0
Others not Listed	455	Others not Listed	502
Grand Total	553	Grand Total	666

Implications for U.S. Exporters

The U.S. share of soybeans is expected to increase in MY 2005. The expected increase is a result of a number of factors: 1) Recently the price gap between American and Brazilian/Argentinean soybean has narrowed. 2) Solbar's loses as a result of low quality soybean shipments from Brazil. 3) Shemen announcement that they will begin to purchase American Non-Gmo soybeans for their soy product plant.

Oil Meals

Israel Meal, Soybean							
	2004	Revised	2005	Estimate	2006	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		10/2004		10/2005		10/2006	MM/YYYY
Crush	498	651	620	620	0	630	(1000 MT)
Extr. Rate, 999.9999	0.793173	0.749616	0.790323	0.75	0	0.755556	(PERCENT)
Beginning Stocks	0	0	0	10	0	5	(1000 MT)
Production	395	488	490	465	0	476	(1000 MT)
MY Imports	48	97	60	80	0	89	(1000 MT)
MY Imp. from U.S.	8	5	40	5	0	8	(1000 MT)
MY Imp. from the EC	0	0	0	0	0	0	(1000 MT)
TOTAL SUPPLY	443	585	550	555	0	570	(1000 MT)
MY Exports	1	0	0	0	0	0	(1000 MT)
MY Exp. to the EC	1	0	0	0	0	0	(1000 MT)
Industrial Dom. Consum	0	0	0	0	0	0	(1000 MT)
Food Use Dom. Consump.	0	0	0	0	0	0	(1000 MT)
Feed Waste Dom. Consum	442	575	550	550	0	5	(1000 MT)
TOTAL Dom. Consumption	442	575	550	550	0	565	(1000 MT)
Ending Stocks	0	10	0	5	0	5	(1000 MT)
TOTAL DISTRIBUTION	443	585	550	555	0	570	(1000 MT)
Calendar Year Imports	0	118	0	106	0	110	(1000 MT)
Calendar Yr Imp. U.S.	0	5	0	5	0	8	(1000 MT)
Calendar Year Exports	0	0	0	0	0	0	(1000 MT)
Calndr Yr Exp. to U.S.	0	0	0	0	0	0	(1000 MT)

Production

Oil meal production is geared toward livestock consumption, mainly poultry. It is limited by crushing capacity and complemented by imports. Israeli crushers can produce 44 percent and Hi Pro soy meals. However, the local crushing plants cannot satisfy the growing demand for Hi-Pro meal. The shortage is satisfied by imports. Only broilers and calves are being fed with the 48 percent meal. The local capacity of soy oil meal stands at 470 tmt, of which 80 percent is 44 percent soy meal and the remainder is 48 percent soy meal (Hi Pro). In addition, Solbar produces corn meal. At present, Solbar and Shemen are the only local producers of Hi-Pro 48 percent soy meal.

Recently, there is an increasing demand for canola oil meal and fish meal.

The Broiler, Turkey, Beef and Dairy Cattle Industries

The broiler, turkey and cattle industries are the main consumers of oil meal. For CY 2005, broiler production totaled 380,000 MT, six percent higher than that in CY 2004. Israel's per capita consumption of broiler meat stands at 35.7 kg, second in the world. Broiler production is expected to increase by 3-5 percent in CY 2006.

CY 2005 was the fourth consecutive year that turkey production declined. Turkey production in CY 2005 totaled 107,000 MT, 7 percent less than in CY 2004. The decrease in turkey production is a result of a number of factors: 1) high demand for broiler meat, 2) meat factories prefer to use broiler meat than turkey meat; 3) the prevalence of diseases; and 4) increasing competition from imported frozen turkey meat. All in all, in the next few years, the forecast for domestic turkey production is for a continued decline up to approximately 70,000 MT.

In CY 2005, Israeli cow milk production totaled 1.155 billion liters, 0.6 percent above previous year levels. Approximately 115,000 cows on 1,000 farms exist in Israel. The annual average production of milk per cow stands at 10,000 liters, with 3.23 percent of protein and 3.58 percent of fat. The annual per capita consumption of milk stands at 100 liters. In CY 2005, local beef production totaled 31,302 tons, 8 percent lower than 2004. In 2005, the decreased consumption in beef was due to high beef prices combined with low quality. Out of the total local beef consumption, 90,000 mt, 58,000 tons (65 percent) of kosher frozen beef was imported, mainly from Argentina, Brazil and Uruguay, valued \$16.4 million.

Soybean Meal Prices

The period from January 2005 through July 2005 saw an increase in prices for soy meals in Israel. Since then prices for soy meals decreased. The changes were dictated by the price for soybeans in the Chicago Board of Trade (CBOT). From January 2005 through January 2006, soy meal prices increased by 11 percent.

Table 11: Monthly Average Price for Soy Meals, and Feed Mix, \$ Per Ton

Months	Soy Meals	Percent Change Compared to Previous Month	Feed Mix For Broilers	Percent Change Compared to Previous Month	Feed Mix For Cattle	Percent Change Compared to Previous Month
1/2005	253.1		266.3		196.2	
2/2005	250.9	-0.9%	264.9	-0.5%	193.8	-1.2%
3/2005	260.3	3.7%	267.2	0.8%	192.8	-0.5%
4/2005	265.3	1.9%	267.5	0.1%	193.0	0.1%
5/2005	279.1	5.2%	271.6	1.5%	194.9	1.0%
6/2005	303.4	8.7%	270.6	-0.4%	195.0	0.1%
7/2005	320.1	5.5%	281.4	4.0%	200.5	2.8%
8/2005	296.3	-7.4%	278.2	-1.1%	199.8	-0.3%
9/2005	283.5	-4.3%	270.7	-2.7%	194.1	-2.9%
10/2005	278.2	-1.9%	270.1	-0.2%	194.1	0.0%
11/2005	270.3	-2.8%	266.4	-1.4%	195.3	0.6%
12/2005	271.9	0.6%	267.4	0.4%	197.8	1.3%
1/2006	281.8	3.6%	265.9	-0.6%	194.7	-1.6%

Average Price	287.2	271.4	196.2
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Source: Agricultural Statistics Quarterly, Israel.

Table 12: Prices for Feed Grains and Oilseeds, \$ Per Ton

	February 2005	February 2006	Percent Change
Corn	\$148	\$137	-8%
Wheat	\$160	\$143	-11%
Barley	\$175	\$162	-7%
Gluten Feed	\$162	\$157	-3%
Canola Meal	\$192	\$165	-14%
Sunflower Meal (37%)	\$187	\$162	-13%
D.D.G	\$185	\$170	-8%
Soy Meal	\$283	\$275	-3%

Source: Israeli Cattle Breeder's Association

Table 13: Sales³ of Feed Mix, by Type, Thousand of Tons, CY

CY	For Cattle	For Poultry					For Sheep, Goats and Other Livestock	Grand Total
		Broilers	Layers	Turkeys	Other	Total		
2002	473.1	733.6	295.1	347.3	150.0	1,526.0	291.7	2,290.8
2003	490.0	723.1	306.8	329.7	174.2	1,533.8	315.0	2,338.8
2004	507.8	786.5	311.3	316.9	162.1	1,576.8	265.9	2,350.5
2005	457.8	787.7	299.5	314.2	161.4	1,562.8	273.8	2,294.4

Source: Agricultural Statistics Quarterly, Israel.

Table 14: Feed Mix Share by Type Out of Total Feed Mix Quantity, Percent, CY

CY	For Cattle	For Poultry					For Sheep, Goats and Other Livestock	Grand Total
		Broilers	Layers	Turkeys	Other	Total		
2002	20.7	32.0	12.9	15.2	6.5	66.6	12.7	100.0
2003	21.0	30.9	13.1	14.1	7.4	65.6	13.5	100.0
2004	21.6	33.5	13.2	13.5	6.9	67.1	11.3	100.0
2005	20.0	34.3	13.0	13.7	7.0	68.1	11.9	100.0

Source: Agricultural Statistics Quarterly, Israel.

³ Including sales to Palestinian Authority, estimated at about 7%.
Excluding sales by feeding centers.

Trade

Exports

No exports of oilmeals or feed were recorded in 2005. Approximately 7-10 percent of Israeli feed mix sales are to the Palestinian Authority (PA), mainly for poultry, sheep and goats.

Imports

At present, Israeli companies import 48 percent soy meal (peeled soybeans). Oil meals (of all kinds) imports during CY 2005 were 13 percent higher than in the previous year. In 2005, soy meal prices were stable. As a result imports increased. Out of the total oil meals imports, approximately 110 tmt (41 percent) is soy meal, 138 tmt (51 percent) is sunflower meal, and the remainder is canola meal. Soy meal is imported from Argentina and Brazil, while sunflower and canola meals are imported mainly from Ukraine. In addition, there is some import of fish flour from Peru and Denmark.

In CY 2005, the U.S. market share for imported oil meals decreased by 75 percent compared to the previous year (see tables 9, 10). Due to the improved quality of Brazilian and Argentinean meals and the higher price of American meals, the U.S. share of oil meals is expected to remain stable or even decrease slightly in MY 2005.

Import Trade Matrix, Meal, Soybean

Import Trade Matrix Israel Meal, Oil (TMT) Time Period: CY			
Imports for:	2004		2005
U.S.	20	U.S.	5
Others		Others	
Total for Others	0	Total for Others	0
Others not Listed	218	Others not Listed	263
Grand Total	238	Grand Total	268

Trade Policy

The government has considered a possible tariff reduction, however, in December 2005 the government has decided not to reduce the tariff. U.S. exports face a smaller tax burden compared to the exports from other origins.

Table 15: Tariffs on Oils and Soy Meals, Percent

	Soy oil, Sunflower oil and Canola oil		Other Oils		Soy Meal	
Starting from	U.S. E.U	Other Countries	U.S. E.U	Other Countries	U.S. E.U	Other Countries
8/29/2001	4.5	7.5	-	-	5.5	9.2
8/6/2003	4	7	-	-	4.5	7.5

Source: Shemen Industries LTD.

Vegetable Oils

PSD Table Israel Oil, Soybean							
	2004	Revised	2005	Estimate	2006	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		10/2004		10/2005		10/2006	MM/YYYY
Crush	498	651	620	620	0	630	(1000 MT)
Extr. Rate, 999.9999	0.198795	0.179724	0.179032	0.179032	0	0.179365	(PERCENT)
Beginning Stocks	12	9	17	5	17	2	(1000 MT)
Production	99	117	111	111	0	113	(1000 MT)
MY Imports	11	10	12	8	0	10	(1000 MT)
MY Imp. from U.S.	1	1	1	1	0	1	(1000 MT)
MY Imp. from the EC	3	2	3	2	0	2	(1000 MT)
TOTAL SUPPLY	122	136	140	124	17	125	(1000 MT)
MY Exports	0	0	0	0	0	0	(1000 MT)
MY Exp. to the EC	0	0	0	0	0	0	(1000 MT)
Industrial Dom. Consum	43	62	50	57	0	58	(1000 MT)
Food Use Dom. Consump.	59	67	70	65	0	67	(1000 MT)
Feed Waste Dom. Consum	3	2	3	0	0	0	(1000 MT)
TOTAL Dom. Consumption	105	131	123	122	0	125	(1000 MT)
Ending Stocks	17	5	17	2	0	0	(1000 MT)
TOTAL DISTRIBUTION	122	136	140	124	0	125	(1000 MT)
Calendar Year Imports	10	10	0	8	0	10	(1000 MT)
Calendar Yr Imp. U.S.	1	1	0	1	0	1	(1000 MT)
Calendar Year Exports	0	0	0	0	0	0	(1000 MT)
Calndr Yr Exp. to U.S.	0	0	0	0	0	0	(1000 MT)

Production

Soy, corn, canola, olive, rapeseed and sunflower oils are produced in Israel. Some vegetable oils are imported as crude and refined domestically – both by crushers and by large manufactures of margarine, snacks and other foodstuff. Approximately 80 percent of local consumption is from local production, and the remainder is imported. About 90 percent of total local oil consumption is of soy oil. Currently, there are 3 producers of soy oil: Shemen, Solber and Teth-Beth. In addition, Solbar produces corn oil. There are 2 main markets for oil: the industrial sector and households. Soy oil is the most demanded oil by the industrial

sector. It is estimated that local soy oil production for industry and private sector is approximately 120 tmt per year (excluding Judah, Samaria and Gaza strip), of which 45 tmt (38 percent) is produced by Solbar. Local oil production for households is estimated at 86 tmt per year, of which 41.3 tmt (48 percent) is produced by Shemen.

Olive Oil Market

In CY 2005, olive orchard area totaled 20,000 hectares, of which 18,000 ha (90 percent) were for oil, and the remainder was for fresh consumption. Most of the planted area is in the Arab sector, in the northern parts of Israel. However, in recent years, Jews began to grow olives for oil, and due to that, the planted area increased by 1,500 ha. There are approximately 210 producers of olive oil in Israel.

In CY 2005, olive oil production decreased by 66 percent compared to the previous year (from 9,000 MT to 3,000 MT). The decreased harvest is a result of the "fluctuations phenomenon", an exceptional low yield that occurs once every four to five years.

In addition, olive oil production in Spain and Italy has reduced significantly. Due to the reasons mentioned above, local olive oil prices increased by 20-30 percent.

In 2005, annual local olive oil consumption was approximately 18,000 MT, of which 3,000 MT (17 percent) were produced locally, and the remainder was imported, mainly from the Palestinian Authority (PA) and Jordan. Approximately 10,000 MT were imported from the PA and 1,200 MT were imported from Jordan. The rest is imported from Spain, Italy and Greece. In recent years the average local olive oil production totaled 8,000-9,000 MT.

Annual olive oil consumption is estimated at 2.2 liters per capita. From 1996 through 2005, olive oil consumption increased by 157 percent (from 7,000 MT to 18,000 MT), and it is expected to continue to grow 6 percent annually in the next few years. The driving force behind this growth is the health trend in recent years and intensive market promotion by the Israeli Olive Board. Approximately 86 percent of the population in Israel consumes olive oil, valued at \$27.3 million annually.

Margarine Market

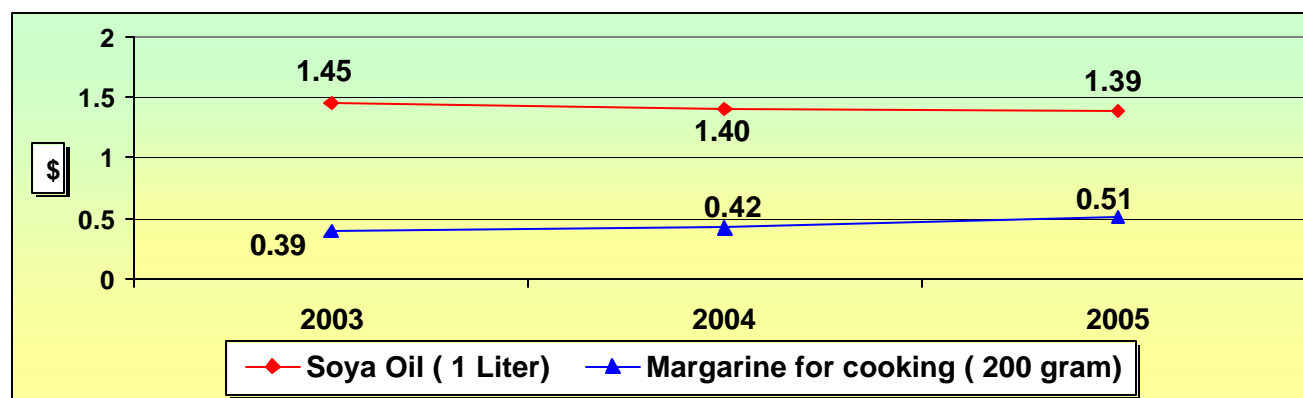
There are three producers of margarine in Israel: Unilever (the biggest), Olivia, and Shemen. The margarine market is valued at \$45.5 million (in consumer prices), of which margarine for spreading is \$25 million (55 percent), and the remainder is for baking (\$20.5 million).

Consumption and Household Expenditure on Vegetable Oils

Consumption of vegetable oil has increased significantly in recent years, especially olive oil. This trend is expected to continue in the future. The high growth rate is mainly explained by rapid growth of snack and fast food industries. According to the Household Expenditure Survey for 2004, the monthly average expenditure for vegetable oils totaled \$5.1, 19 percent higher than in 2001. Of the total vegetable oils expenditure, soy oil accounted for \$1.5. This is 18 percent lower compared to 2001. On the other hand, olive oil accounted for \$1.9 (37 percent market share), and this is 17 percent higher compared to 2001.

Prices

Crushers use the price of oil to compensate for the lower price of protein meal, which is dictated by direct importation by local feed millers. In the long-term, the price of soybean meals and oils is dictated by the CBOT price for soybeans; In the short-term, component prices change according to market demand and supply. Local annual average retail prices for soy oil in CY 2005 did not change significantly compared to the previous year (see chart 2). It is estimated that imported oil prices are higher by an average of 10 percent compared to local oil prices.

Chart 1: Annual Average Retailer Price, Nominal Terms, \$, CY

Source: Price Statistic Monthly, Different Years, CBS.

Trade

Imports

In CY 2004, total value of vegetable oil imports was 18 percent lower than in CY 2003, decreasing from \$49.48 million to \$40.65 million. It is estimated that in CY 2005, oil imports represented approximately 20 percent of local oil consumption. Soy oil is imported mainly from S. America, and canola oil is imported primarily from Europe. Most purchases are based on spot transactions in the international market and not on long-term contracts.

Other Oils

In CY 2004, other oil imports included palm oil in its various forms, \$13.2 million mainly from Singapore (55 percent). The palm oil imports during CY 2004 have increased by 10 percent compared to the previous year. The sunflower and safflower imports in CY 2004 totaled \$1.8 million, 70 percent lower than in the previous year, mainly from Argentina (58 percent). In CY 2004, olive oil imports totaled \$6.9 million, 5 percent higher than in the previous year.

Table 16: Imports of Soybean Oil and its Derivatives, whether or not refined, but Not Chemically Modified, by Origin, CY, \$ Thousands and percent

Origin	Value (\$ Thousands)		% of Total Imports	
	2003	2004	2003	2004
France	1,683	502	15.4	9.7
Belgium	123	193	1.1	3.8
Netherlands	228	1,051	2.1	20.4
Portugal	74	295	0.7	5.7
Greece	3,864	0	35.4	0.0
Switzerland	1,297	0	11.9	0.0
Total Europe	7,269	2,055	66.7	39.6
U.S.	981	1,469	9.0	28.3
Argentina	2,655	1,671	24.3	32.2
Total Out of Europe	3,636	3,140	33.3	60.4
Grand Total	10,905	5,195	100.0	100.0

Source: CBS, Foreign Trade Statistics, Different Years

Table 17: Imports of Palm Oil and its Derivatives, whether or not refined, but Not Chemically Modified, by Origin, CY, \$ Thousands and percent

Origin	Value (\$ Thousands)		% of Total Imports	
	2003	2004	2003	2004
Austria	526	0	4.4	0.0
Germany	858	10	7.1	0.1
Netherlands	368	1	3.1	0.0
Switzerland	1,847	0	15.4	0.0
Other Europe	1	23	0.0	0.2
Total Europe	3,600	34	29.9	0.3
Malaysia	3,211	1,076	26.7	8.1
Singapore	5,214	9,980	43.4	75.5
Indonesia	0	1,786	0.0	13.5
U.S.	0	346	0.0	2.6
Other	2	0	0.0	0.0
Total Out of Europe	8,427	13,188	70.1	99.7
Grand Total	12,027	13,222	100.0	100.0

Source: CBS, Foreign Trade Statistics, Different Years.

Note: Israel's trade statistics are based on "country of purchase" which in many cases is different from the "country of origin". Netherlands and Switzerland, which are large trading centers, appear in Israel's statistics as suppliers of all kinds of oil, when actually only brokers are located there.